



EXHIBIT

DATE

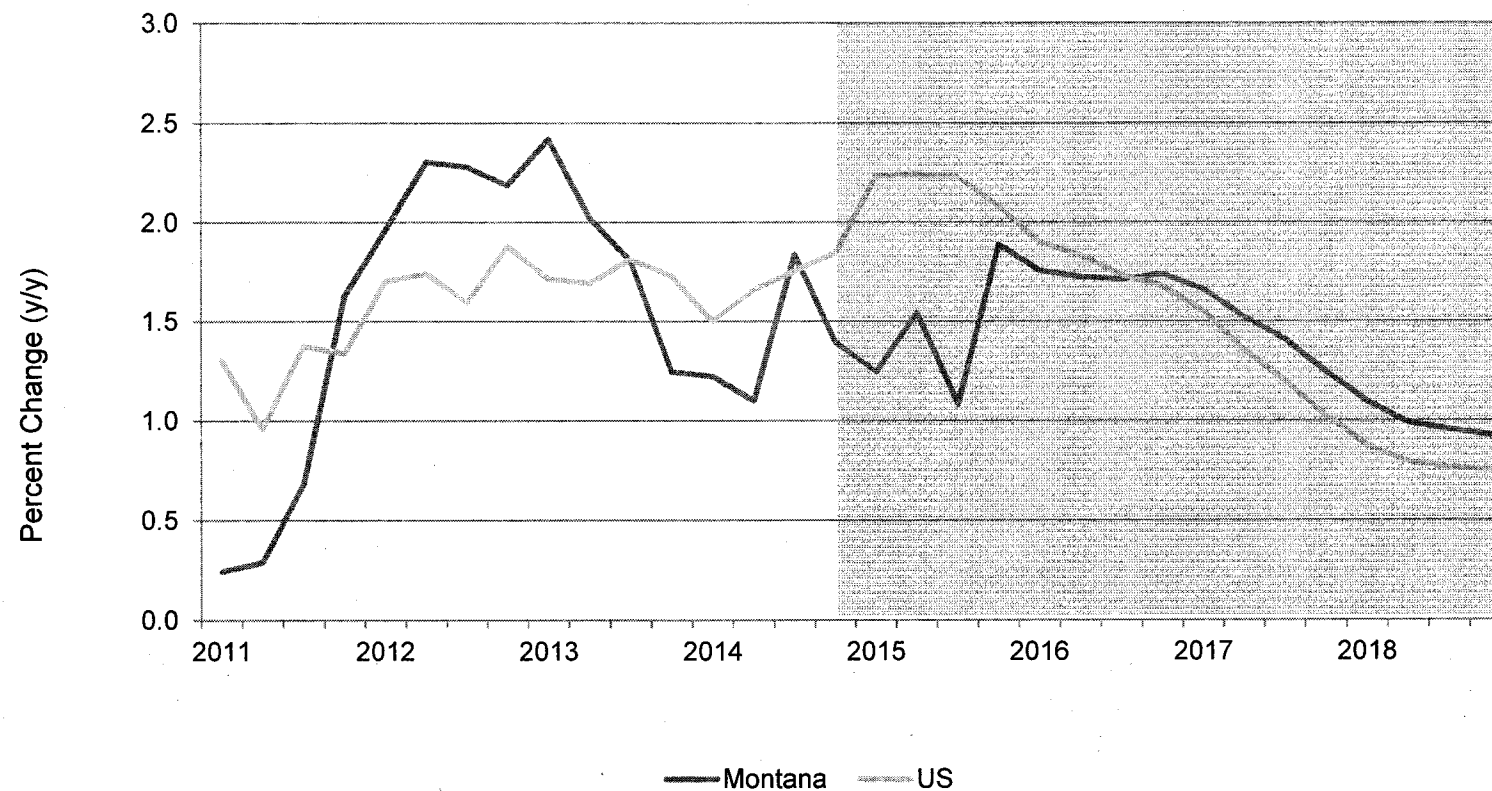
HB

Montana Outlook: Wages, Oil and Rates

Steven Frable, Economist, +1 215 789 7427, steven.frable@ihs.com

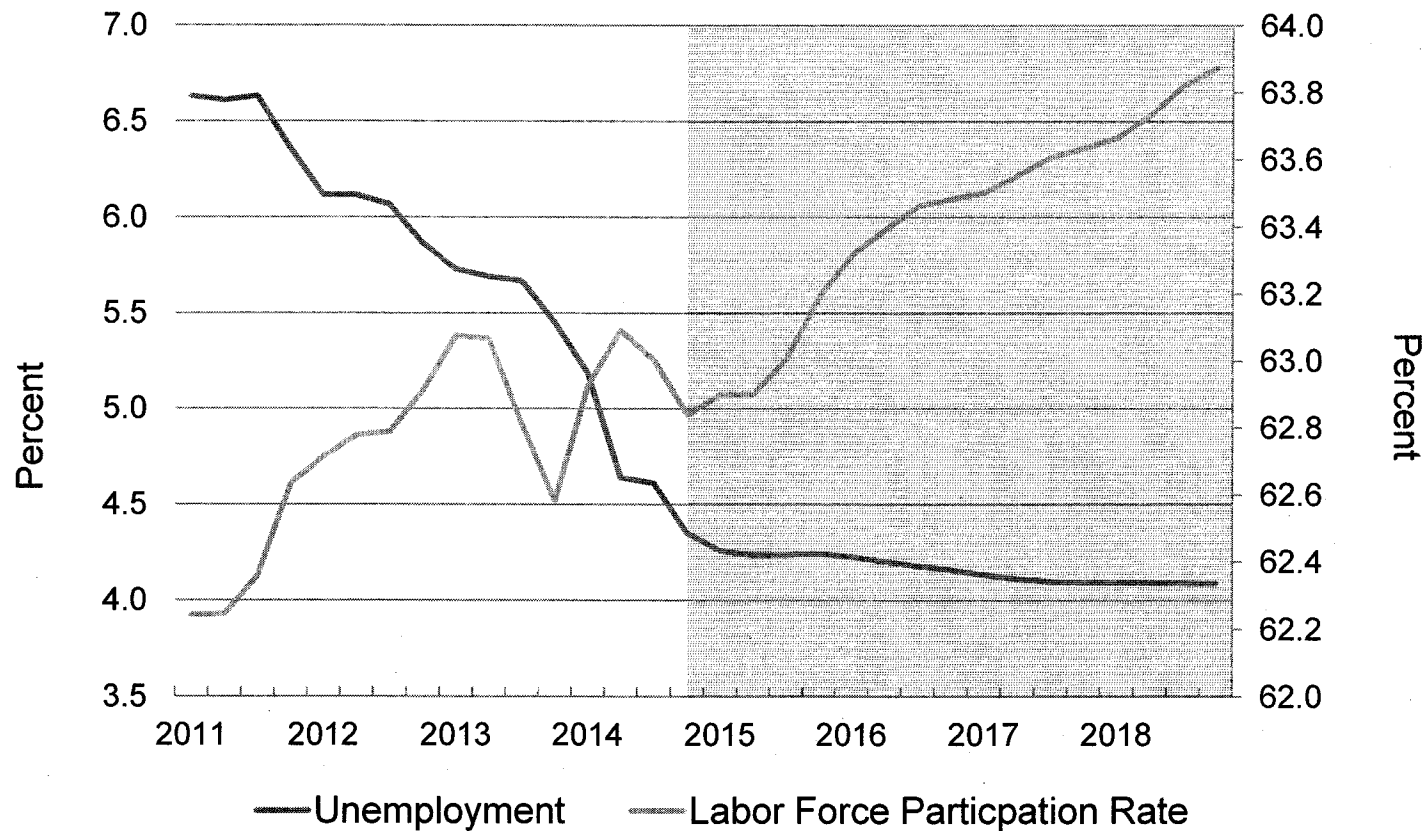
Broad weakness in 2014 carries forward into 2015

MT Employment vs US Employment



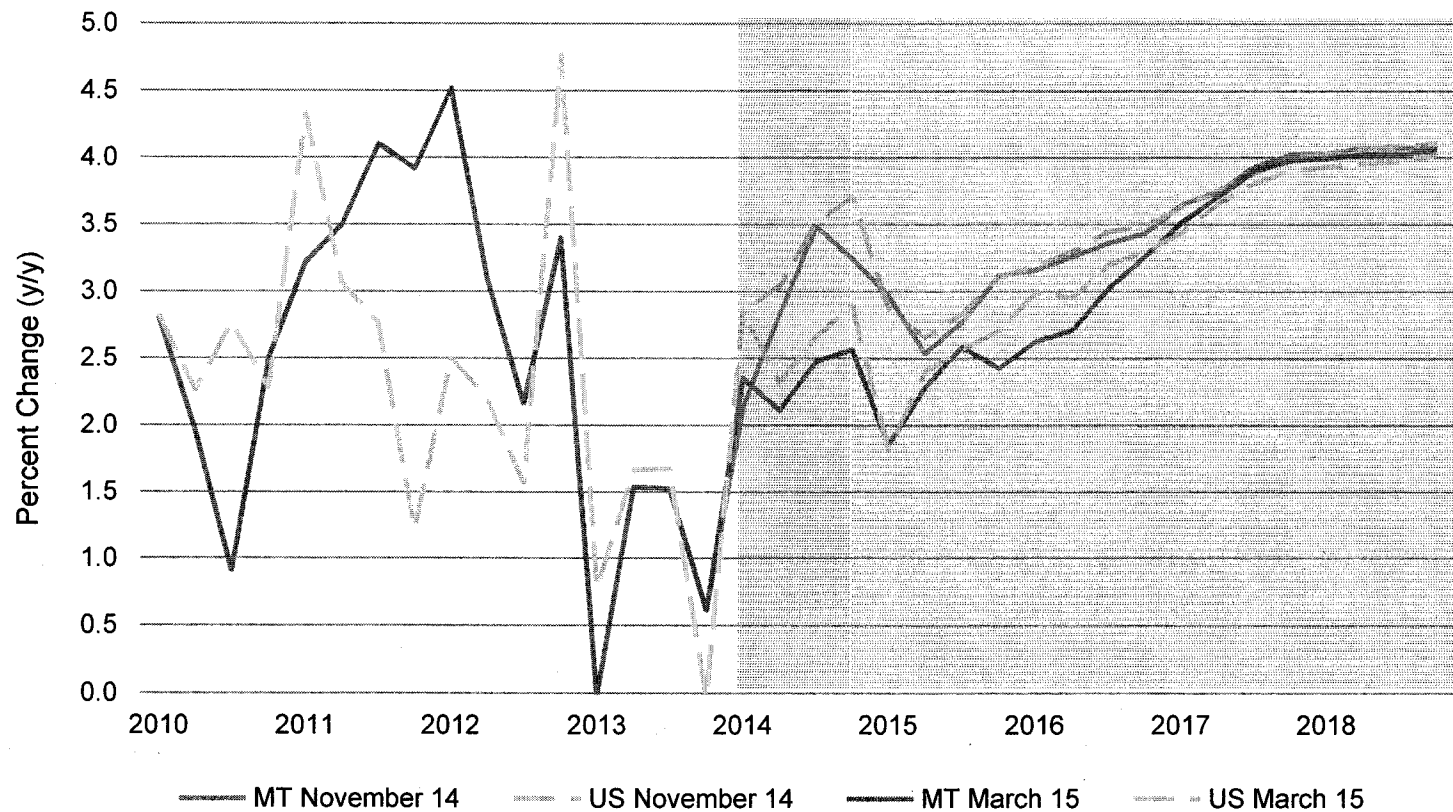
Unemployment improves, but mostly due to less job seekers in the labor force

Montana Unemployment and Labor Force Participation Rate



Revised wage history lowered expectations for growth in 2015 since our November 2014 forecast

Montana and US Wage Growth
(November 2014 Forecast vs March 2015 Forecast)



Reasons for drop in wage forecast

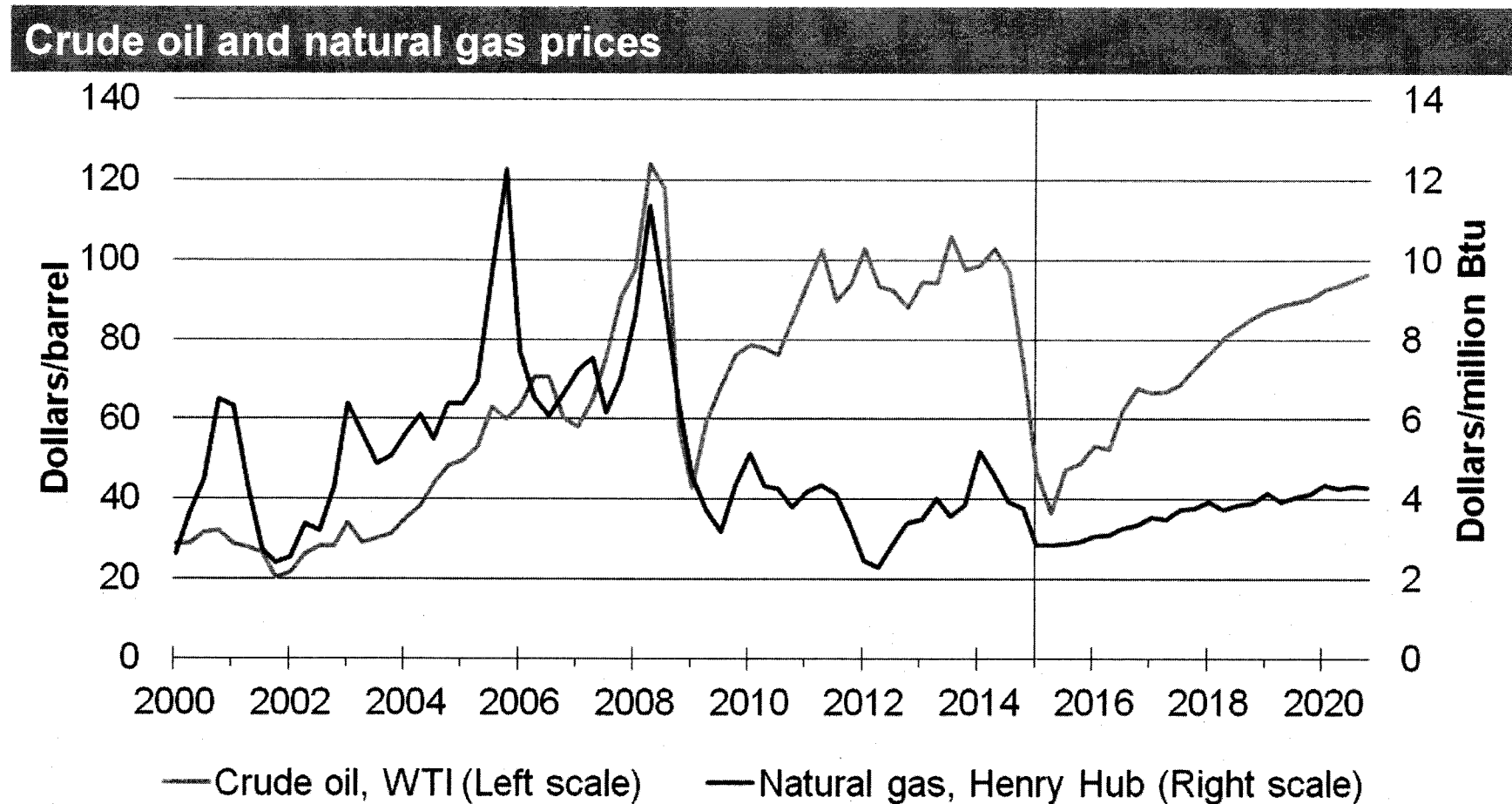
- Wage history was revised lower from 2014q1 to 2014q3 which dampened expectations
- Macroeconomic performance was slower than expected
 - Effect of the Affordable Care Act on wage pressure was understated
 - Slower economic growth in the fourth quarter of 2014
- Montana's dimmer economic prospects:
 - Slower employment growth in 2014
 - Less wage disbursements from high paying oil jobs result in lower average wage rates

Salary disbursement growth from 2014 to 2015 will remain steady following tempered expectations

	2014			2015		
	Annual % growth	Annual growth (\$Millions)	% share of total wages	Annual % growth	Annual growth (\$Millions)	% share of total wages
Total Wage Disbursements	3.8	667.1		3.8	687.6	
Manufacturing	5.7	45.4	5%	3.5	29.8	5%
Construction	5.2	58.7	6%	8.4	98.7	8%
Natural Resources and Mining	6.9	50.5	4%	0.3	2.5	4%
Services	3.9	423.6	61%	4.4	488.6	62%
Government	1.9	66.4	20%	1.2	43.0	18%

Down from an expected 5.0% annual growth since the November forecast, a change of \$232 million.

US crude oil prices and natural gas prices



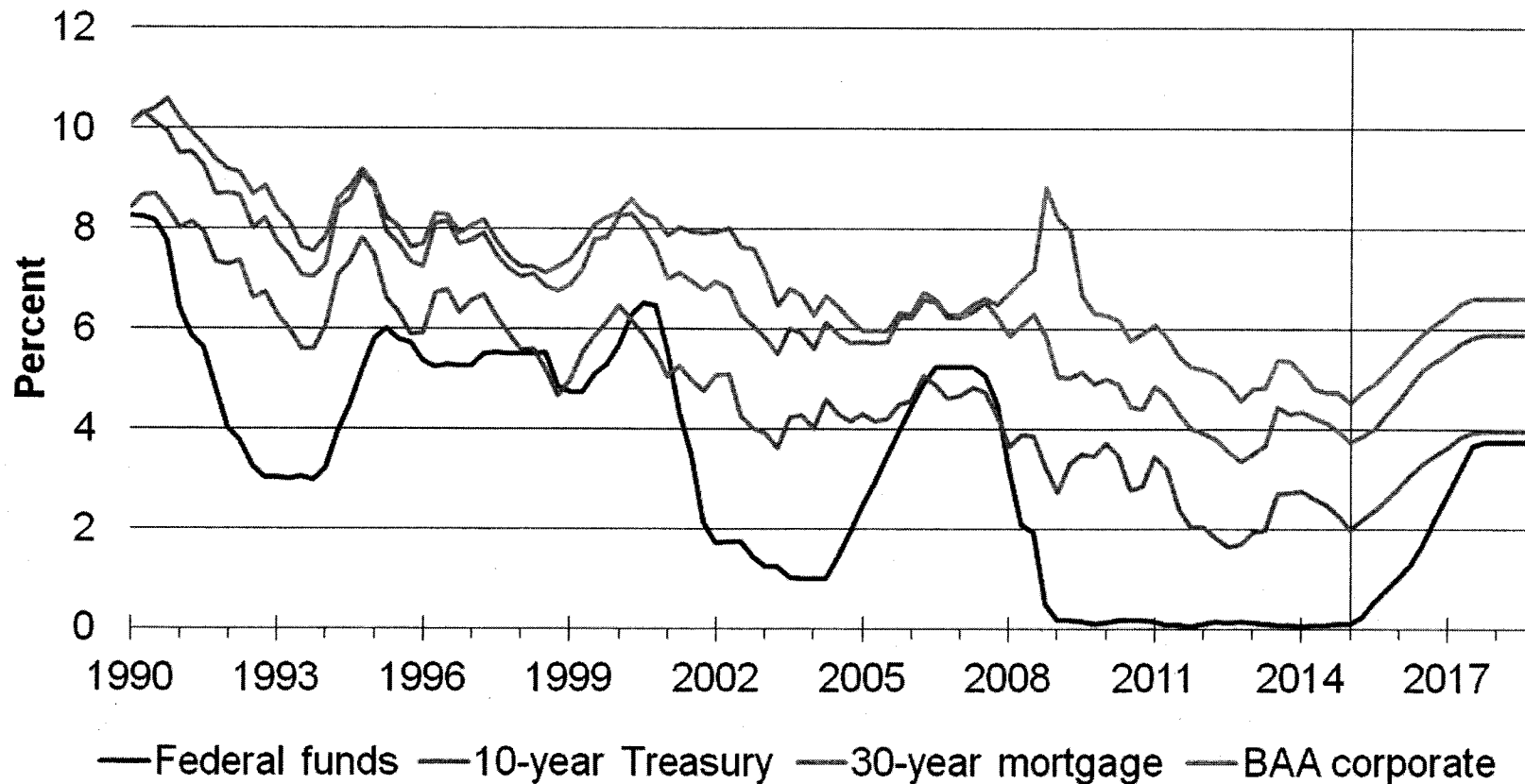
Oil impact to MT

- On average, highest rig count for 2014 was 13 rigs in November. That count fell to 3 in March of 2015. (compare vs. 103 rigs currently operating in North Dakota, down from 180 in November 2014)*
- In March 2015, the only operating rigs that are producing oil are in Richland County.*
- CAPEX spending is estimated to drop 28% from 2014 to 2015, slightly below the US average of 30% during the same timeframe.
- The loss in CAPEX spending equates to a loss of \$400 million or 0.8% of total state gross product.
- Net loss in employment for 2015 in natural resource and mining is expected be 200 jobs.
- Lower gas prices are expected to save the Montana consumer around \$680 million by mid 2015 since oil prices began to fall.

*Rig count data is from Baker Hughes

Interest rates will rise from exceptionally low levels

Interest rates



Thank You!

Steven Frable, Economist, +1 215 789 7427, steven.frable@ihs.com

IHS Customer Care:

- **Americas:** +1 800 IHS CARE (+1 800 447 2273); CustomerCare@ihs.com
- **Europe, Middle East, and Africa:** +44 (0) 1344 328 300; Customer.Support@ihs.com
- **Asia and the Pacific Rim:** +604 291 3600; SupportAPAC@ihs.com

© 2014 IHS. No portion of this report may be reproduced, reused, or otherwise distributed in any form without prior written consent, with the exception of any internal client distribution as may be permitted in the license agreement between client and IHS. Content reproduced or redistributed with IHS permission must display IHS legal notices and attributions of authorship. The information contained herein is from sources considered reliable but its accuracy and completeness are not warranted, nor are the opinions and analyses which are based upon it, and to the extent permitted by law, IHS shall not be liable for any errors or omissions or any loss, damage or expense incurred by reliance on information or any statement contained herein. For more information, please contact IHS at Customer Care (see phone numbers and email addresses above). All products, company names or other marks appearing in this publication are the trademarks and property of IHS or their respective owners.



Oil Markets Deliver a Surprise



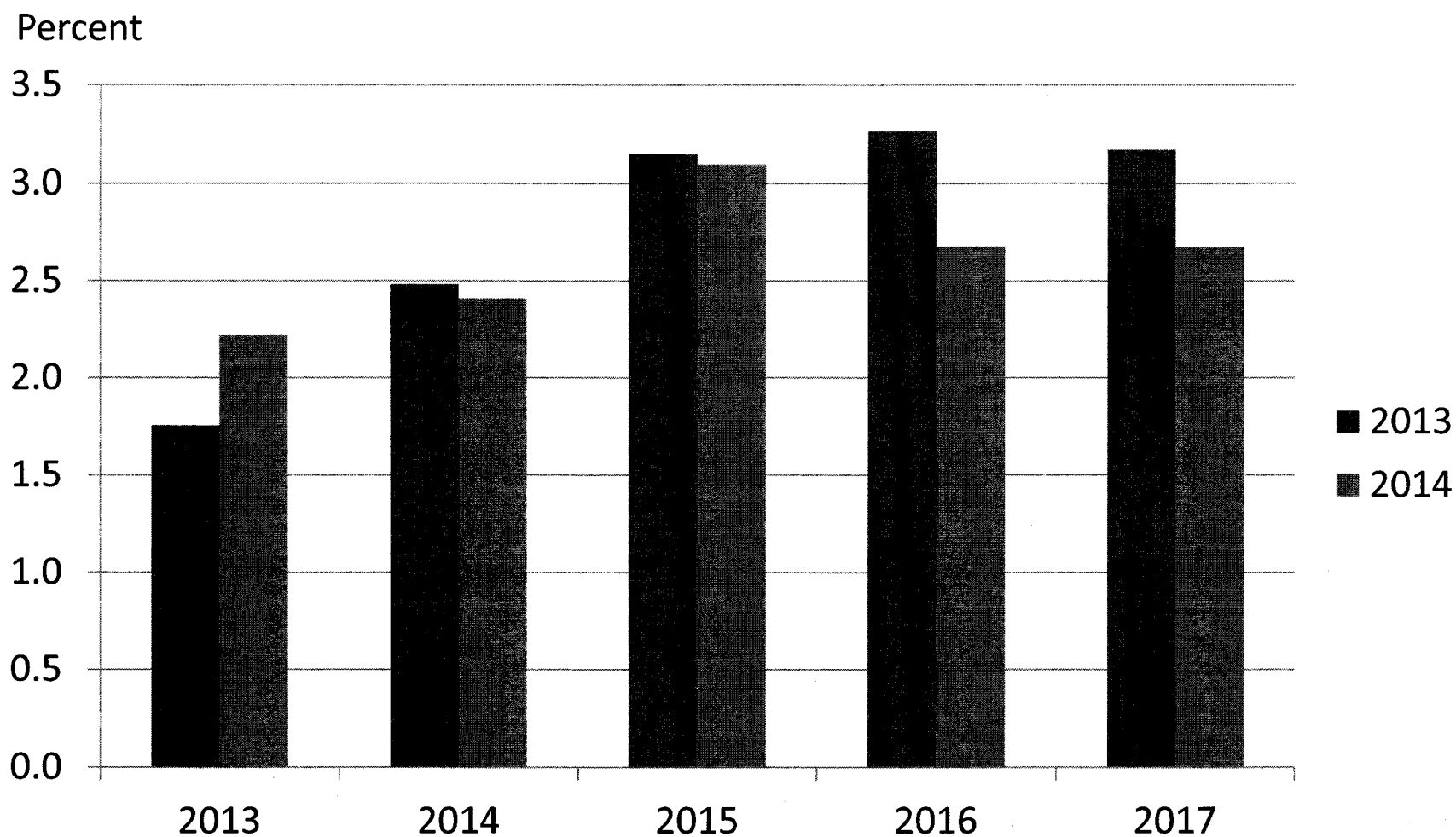
Patrick M. Barkey, Director
Bureau of Business and Economic Research
University of Montana

National and Global Developments

- Best six month performance of the U.S. economy since well before the recession
- Evidence of stronger, more bullish small business activity
- Global outlook dims
- Declining oil prices reverberating around the world

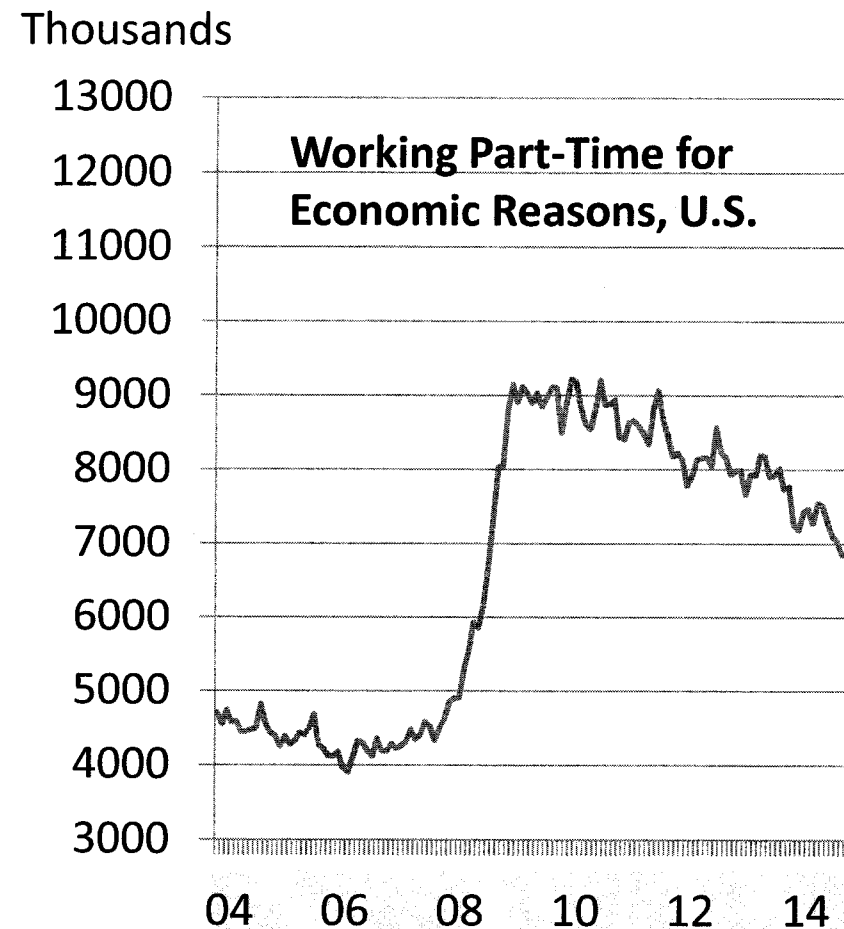
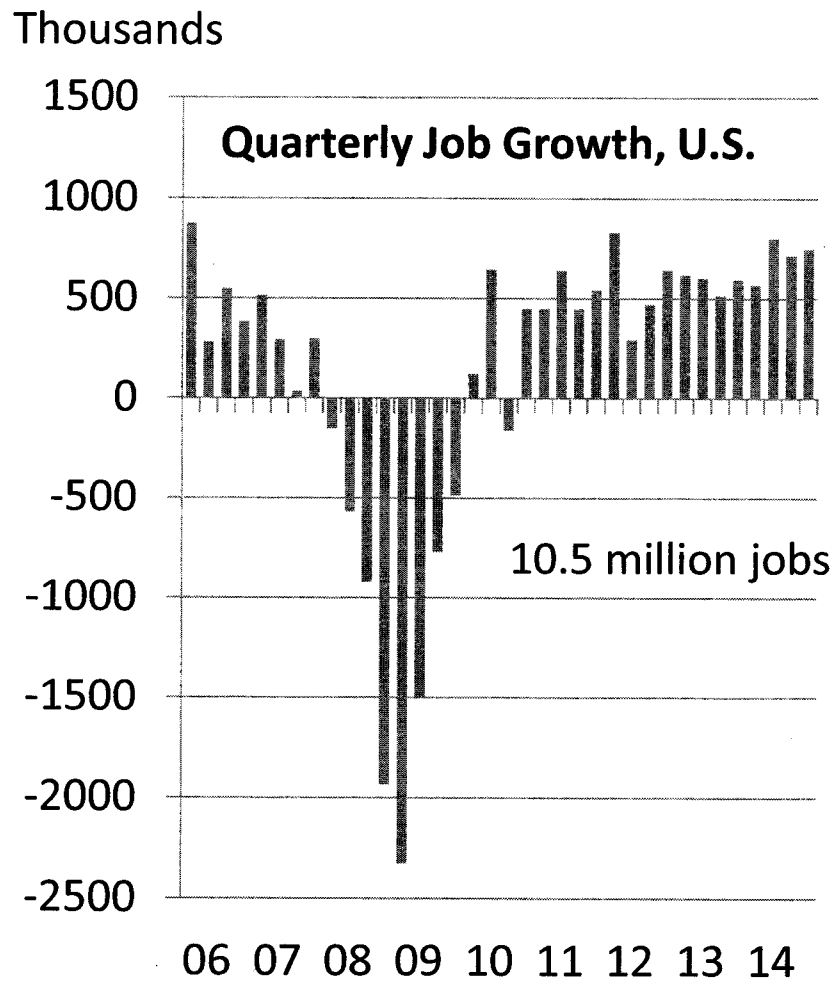
Economic Performance Finally Meeting Expectations

Forecasts of U.S. Real GDP Growth, Percent



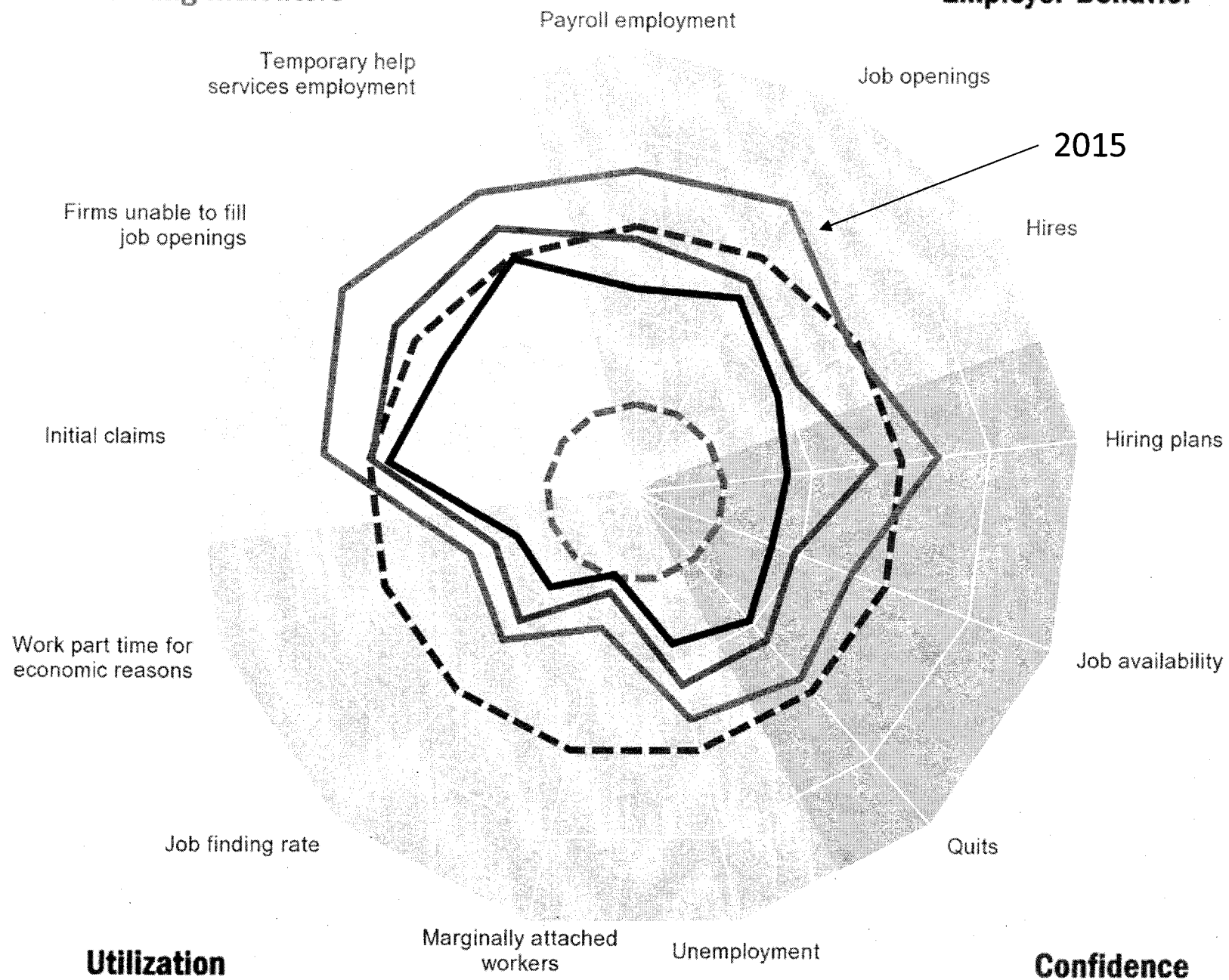
Source: IHS, Inc.

U.S. Labor Market is Getting Better

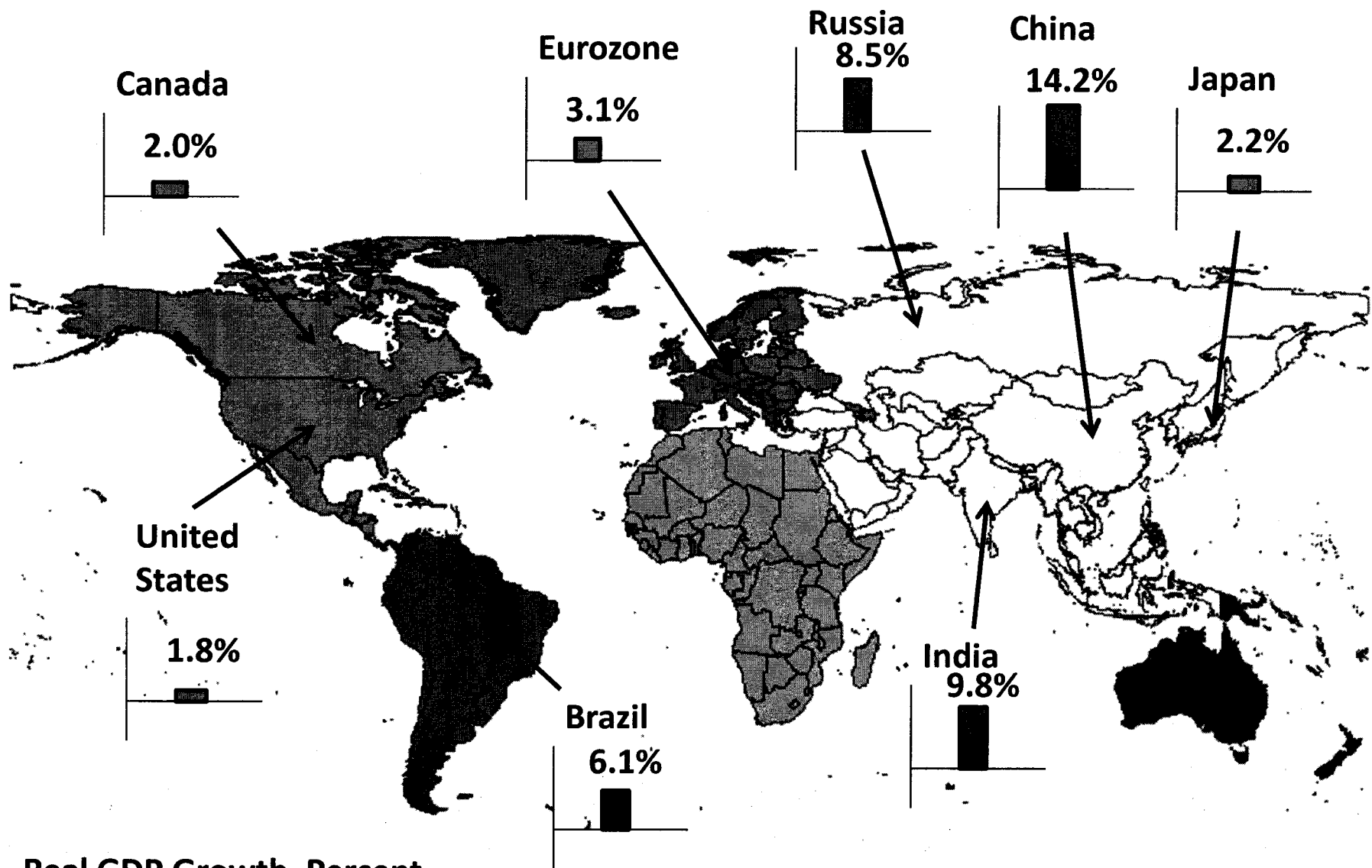


Leading Indicators

Employer Behavior

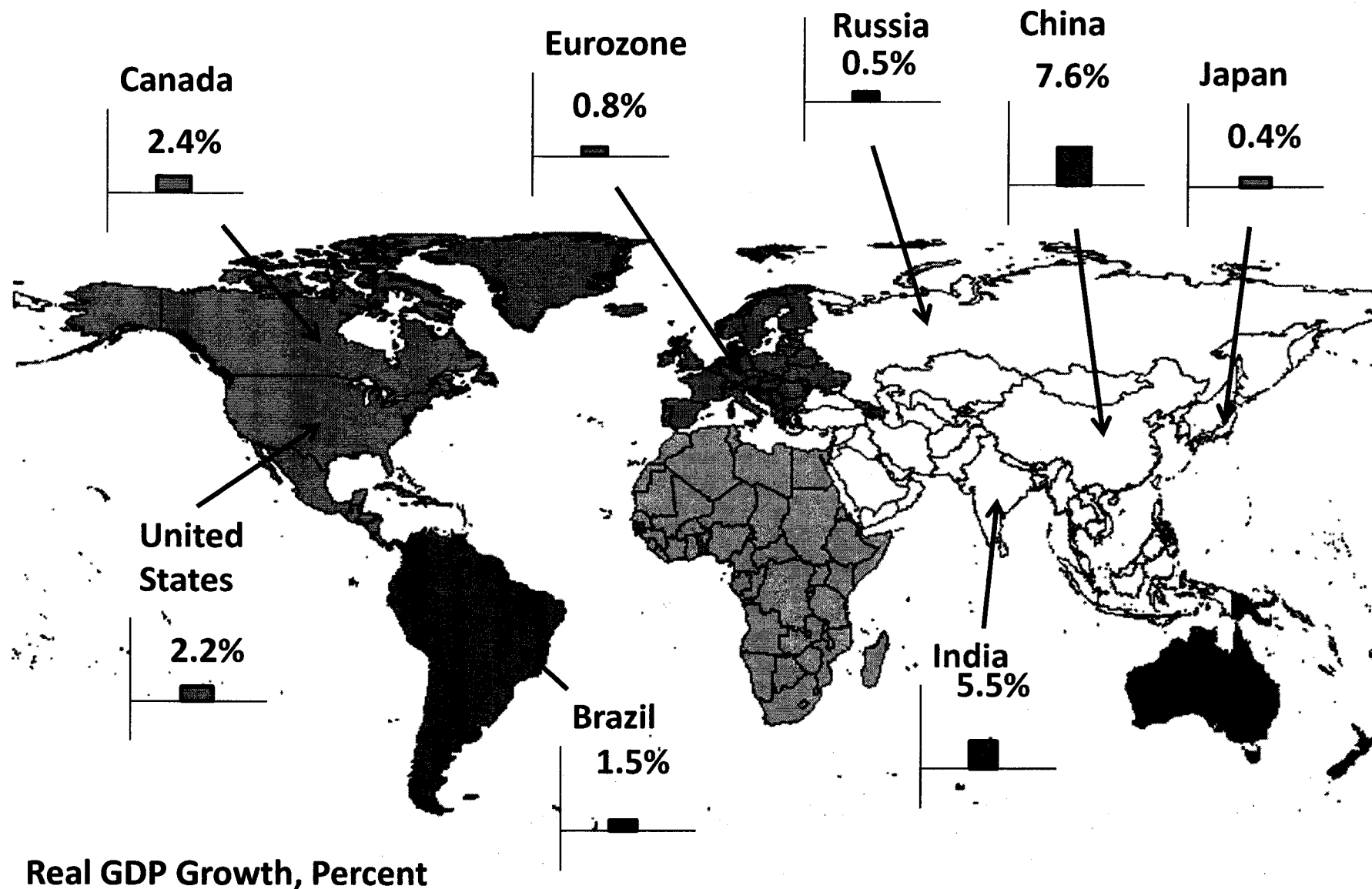


Taking a Tour of Global Growth, 2007



Real GDP Growth, Percent

Taking a Tour of Global Growth, 2014

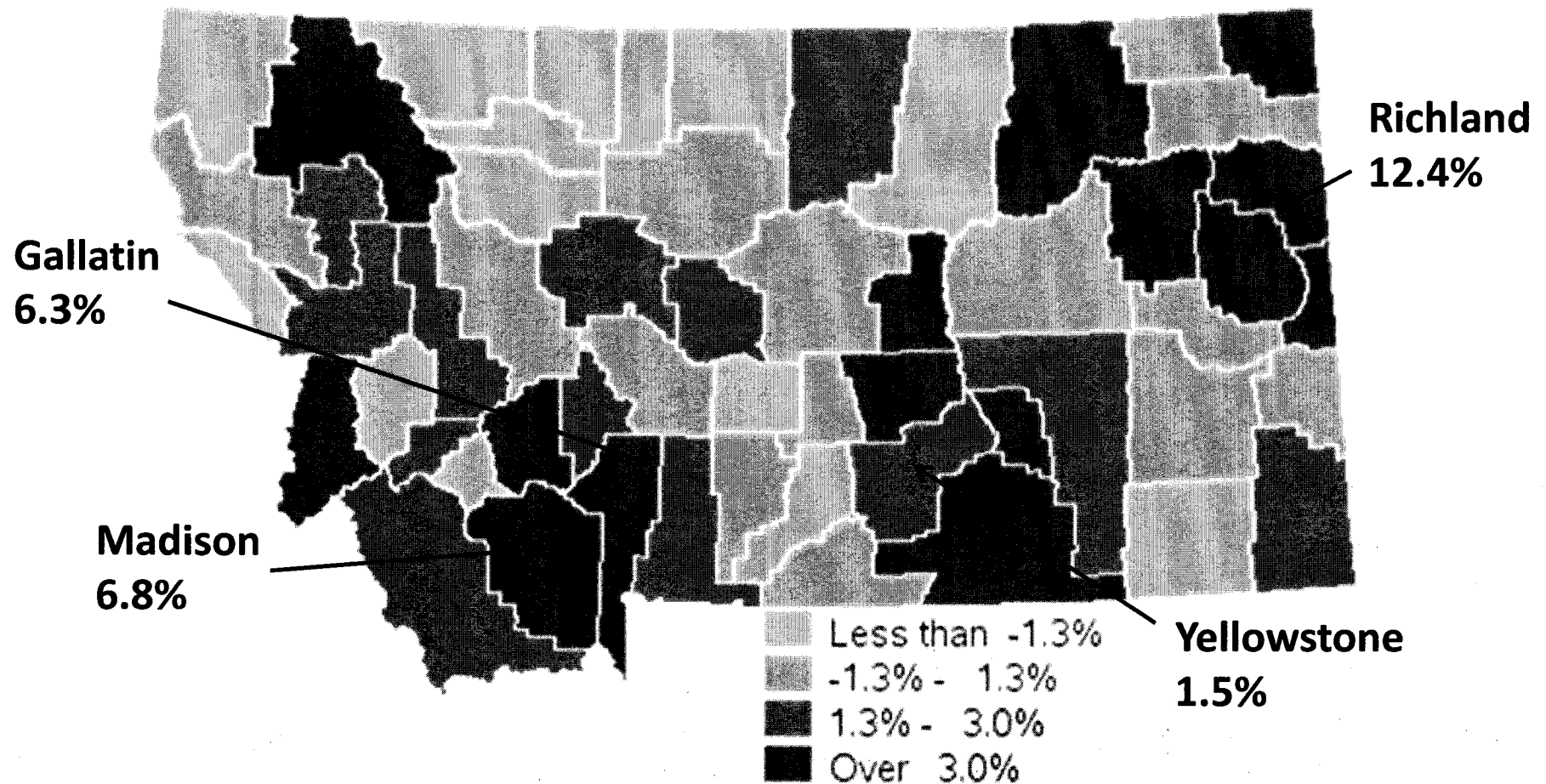


Montana's Growth: More Balanced, but Slower

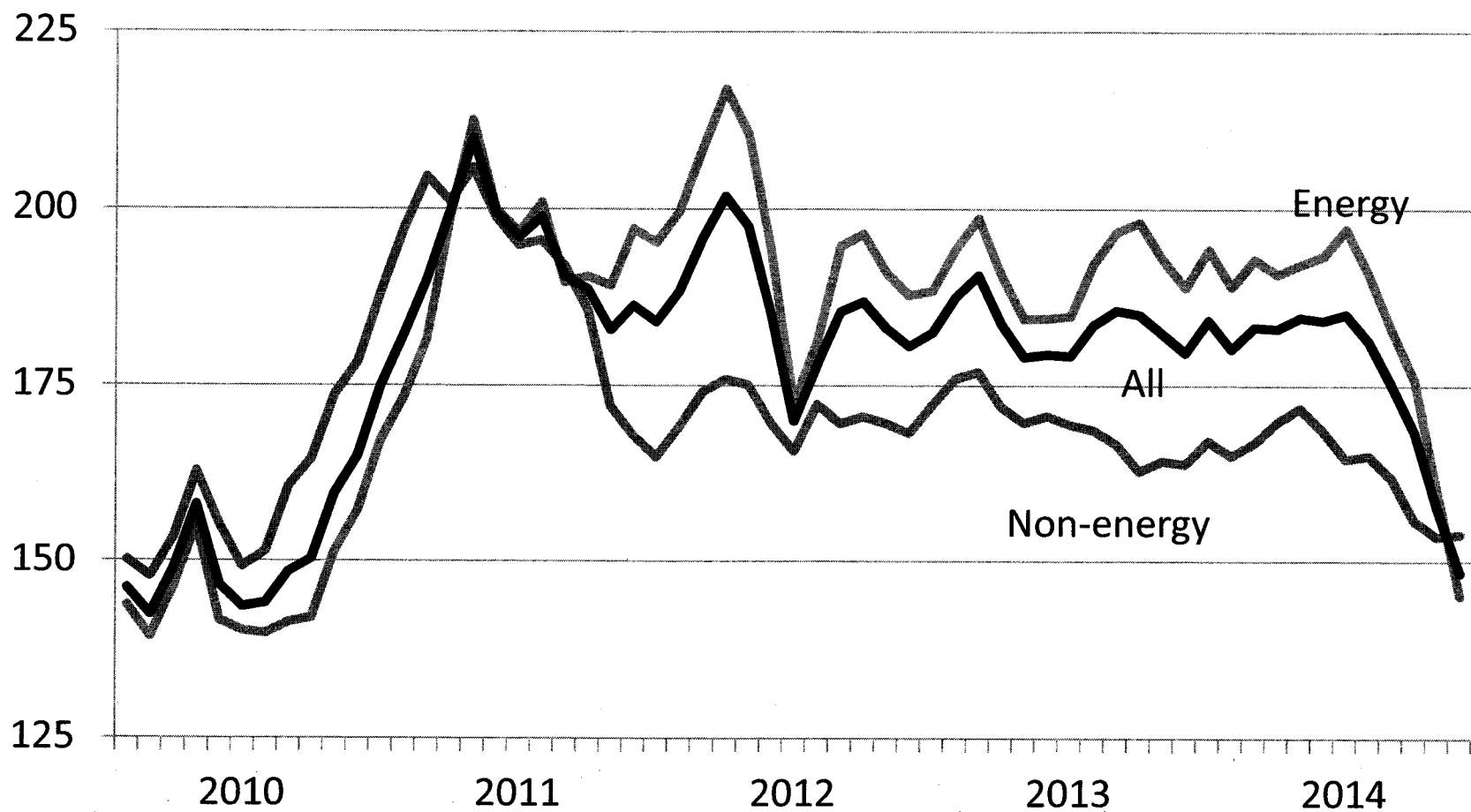
- Growth patterns starting to look more like ten years ago
- The commodity boom is over, will agriculture prices follow?
- Labor markets are quietly getting tighter

Real Payroll Wages Growth

Percent Change, 2013-14 (Federal Fiscal Year)



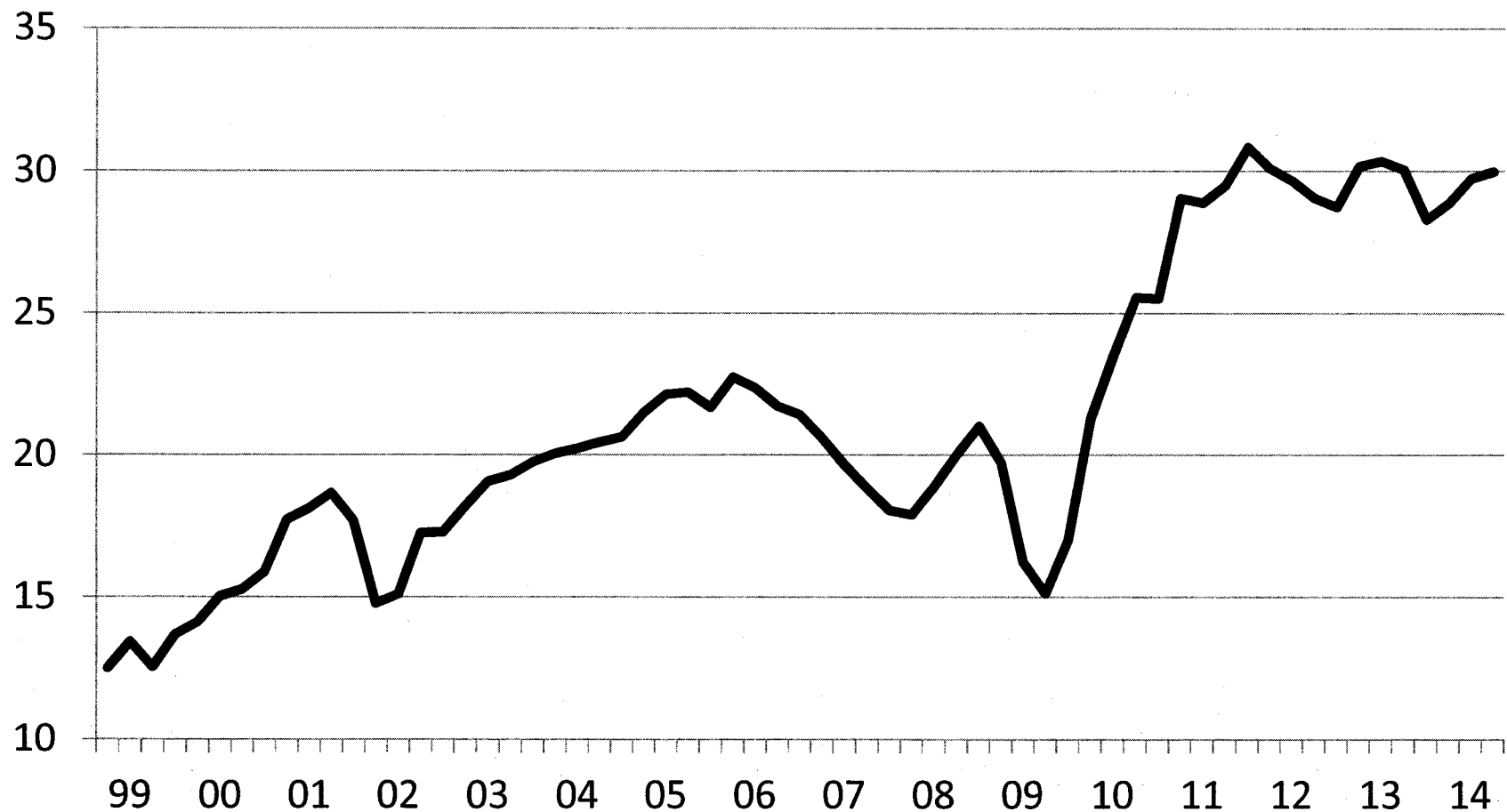
IMF Commodity Price Indices (2005 = 100)



Source: International Monetary Fund

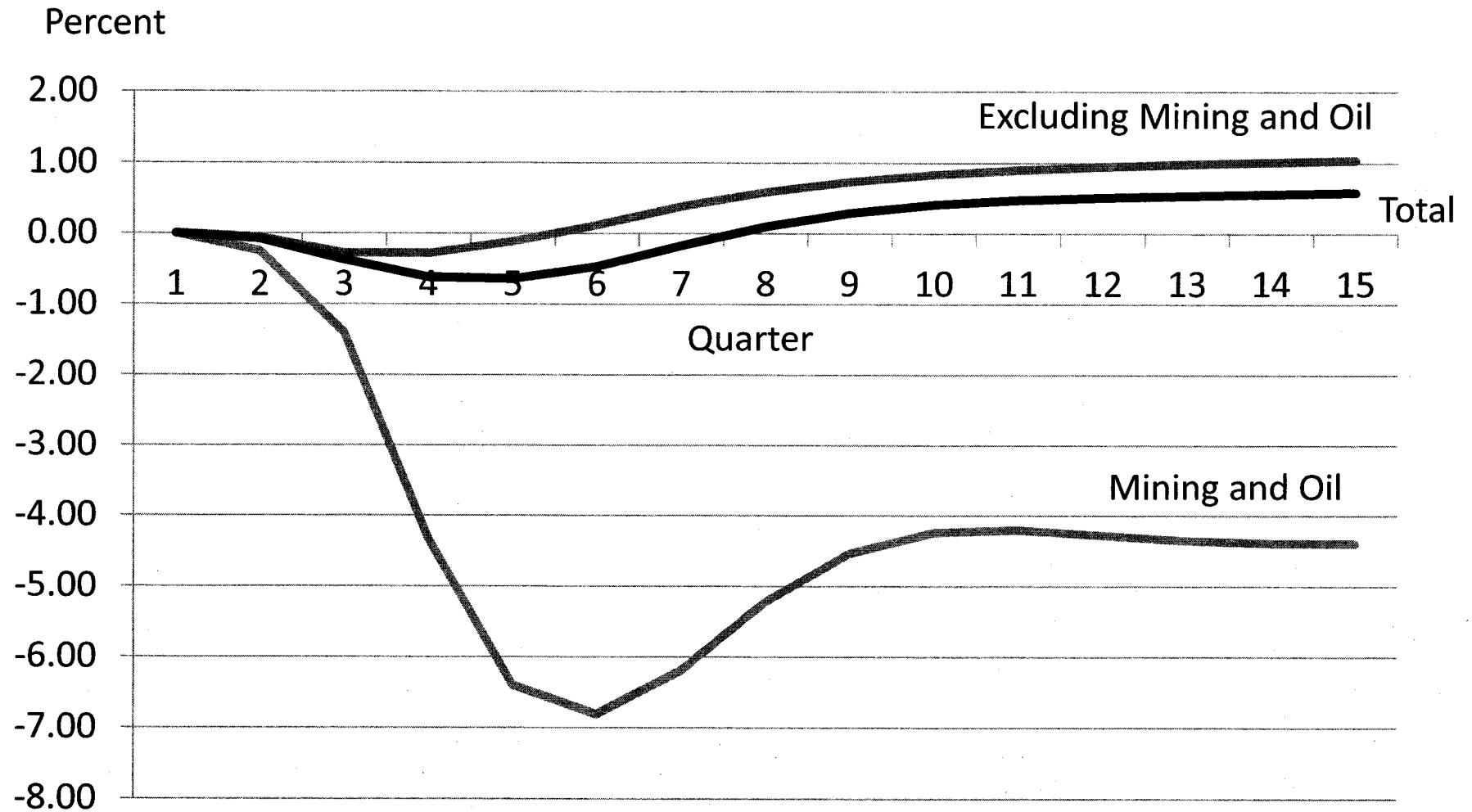
Oilfield Investments Have Been a Big Driver of the U.S. Economy

Percent



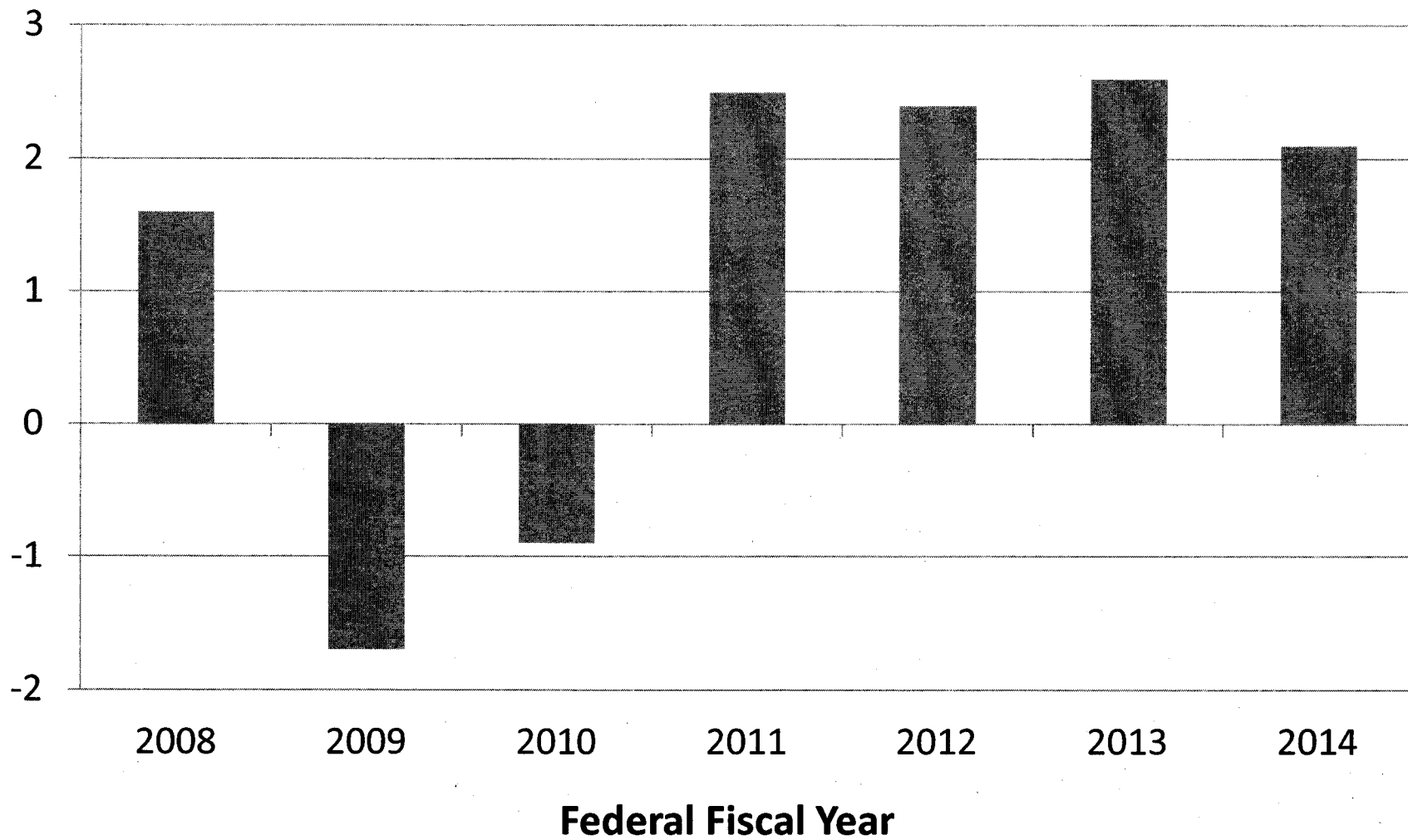
Oilfield Investment Share of Nonresidential Structures Investment, U.S.

Investment Response to Price Shock

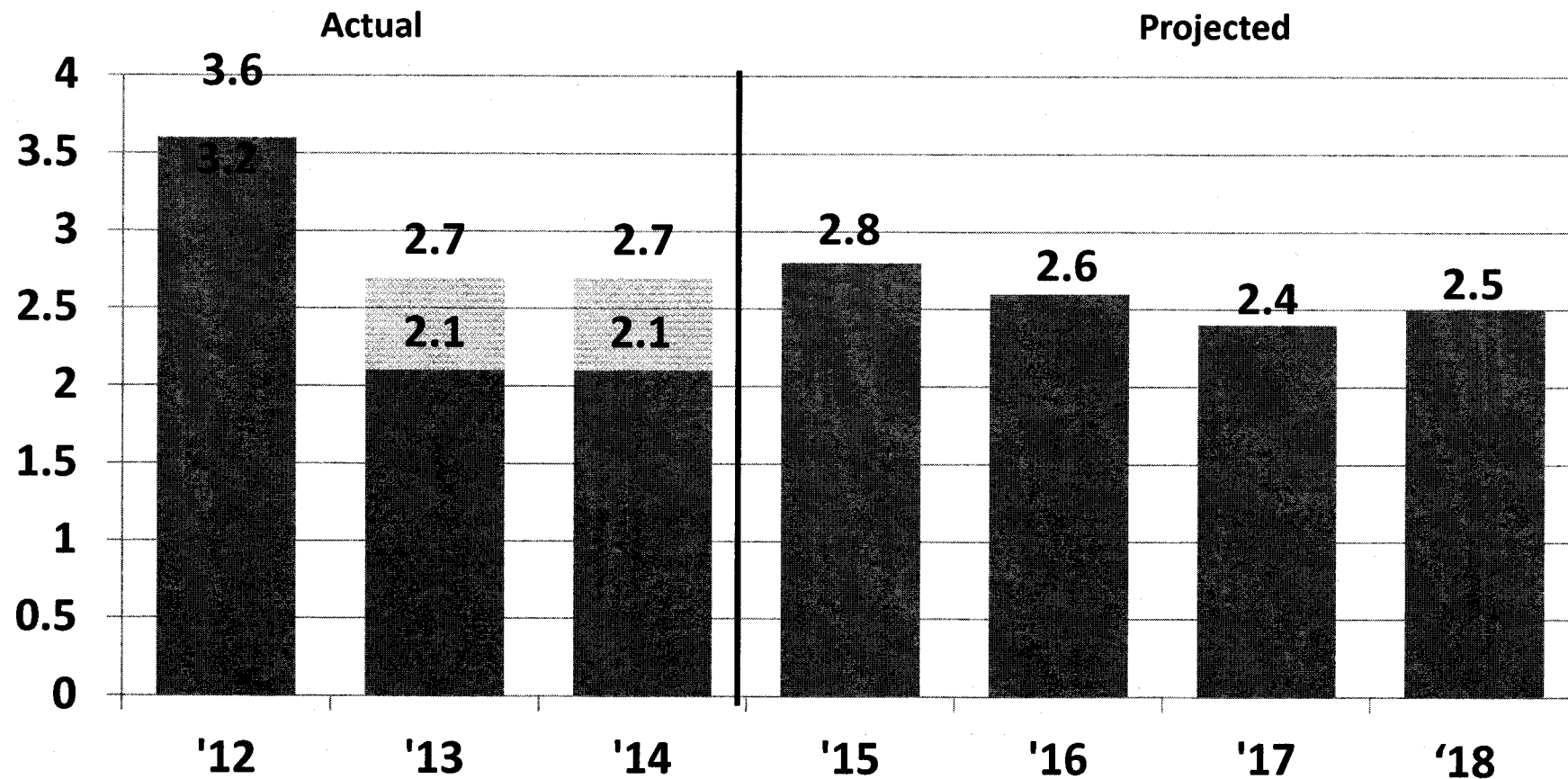


Montana's Recent Growth

Percent Change in Real Wages and Salaries

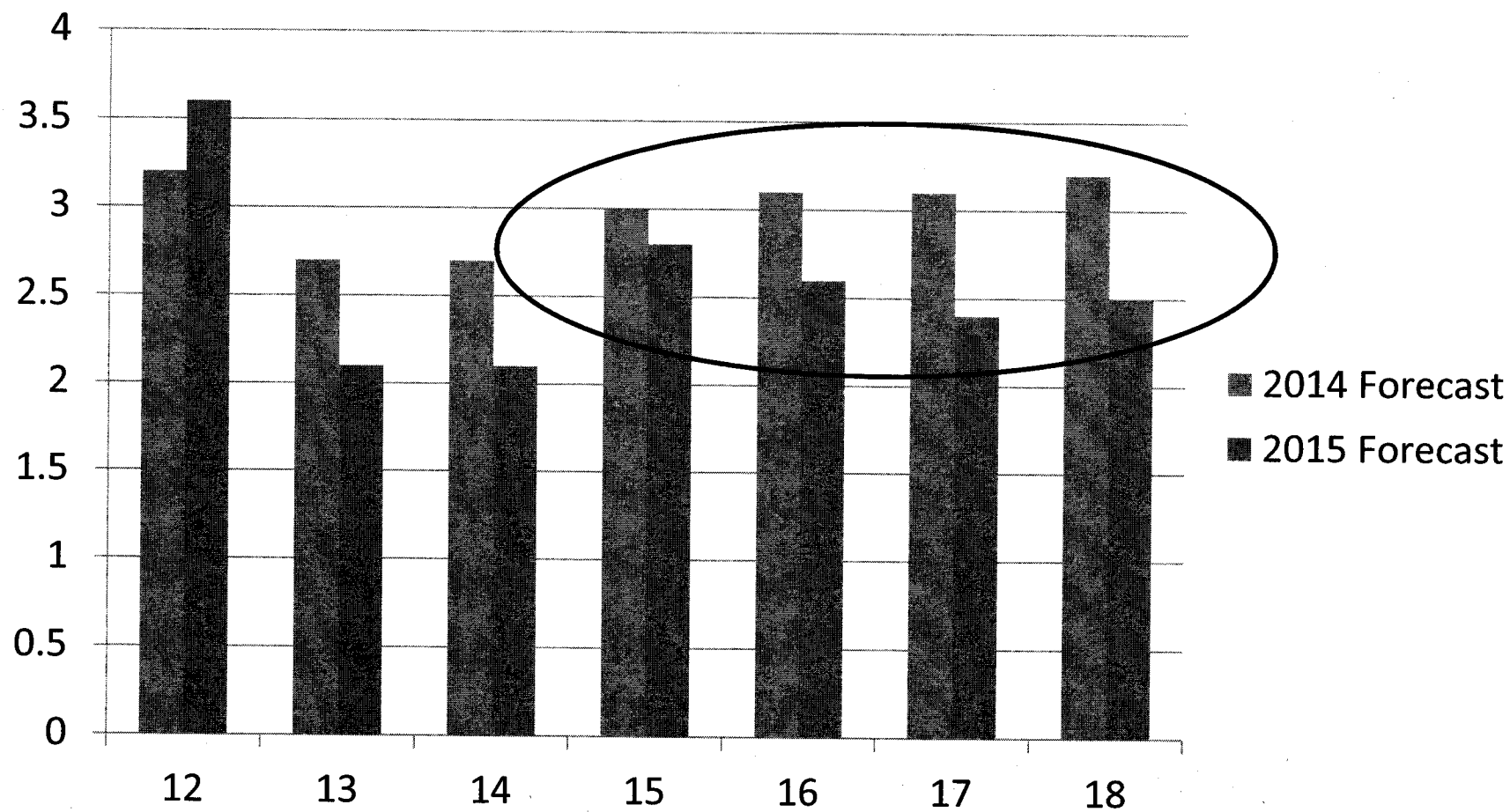


Change in Nonfarm Earnings, Montana, 2012-2018



Change in BBER Forecasts

Montana, 2012-2018



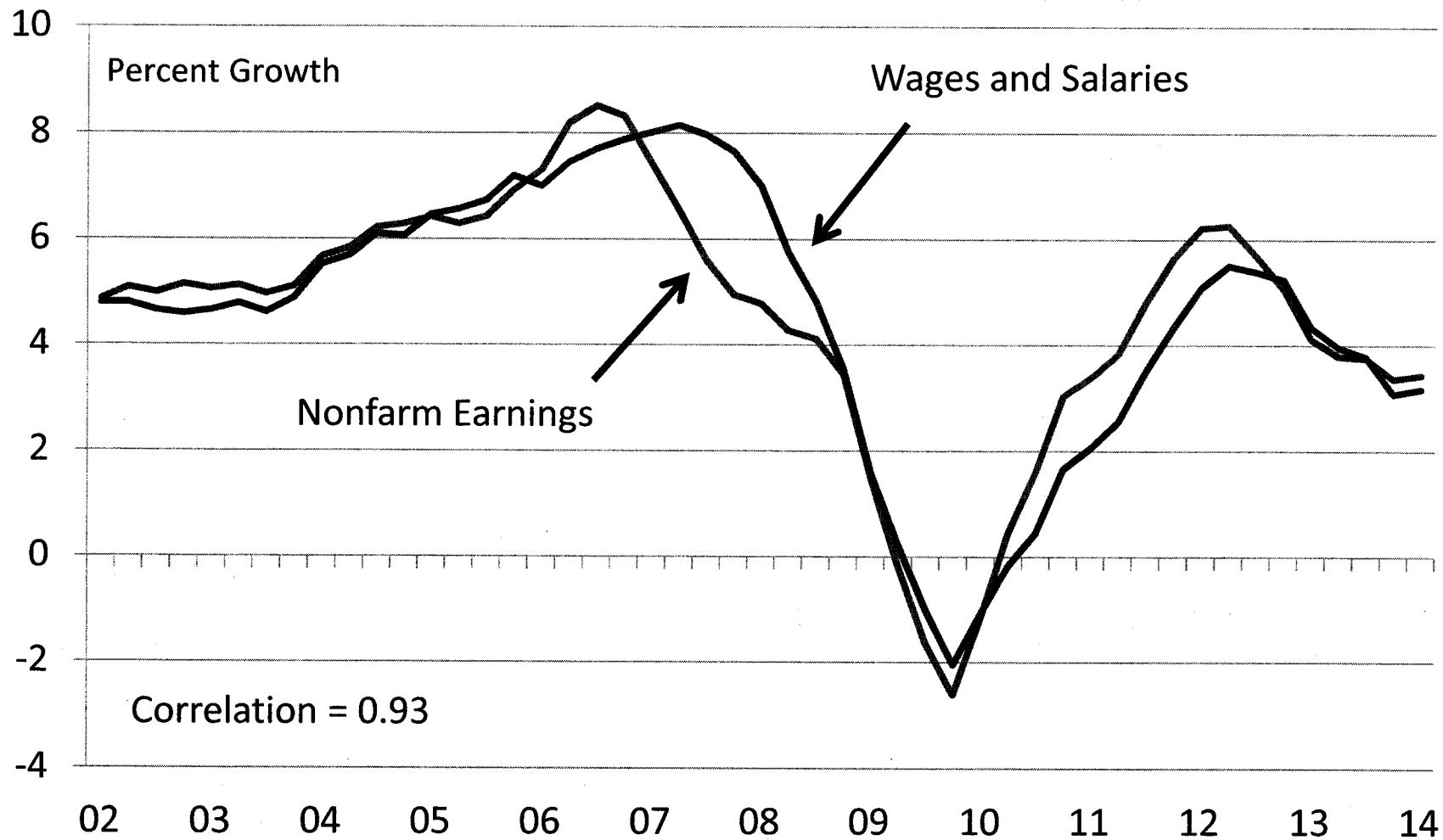
2015 BBER Economic Outlook Seminars

- Travelled to nine cities in January-March
- Western counties definitely seeing growth
- Construction mostly disappointing except for Bozeman
- A lot of concern over the future of ag prices
- Retrenchment very apparent in oil patch counties

How Do BBER Forecasts Relate to Revenue Forecasts?

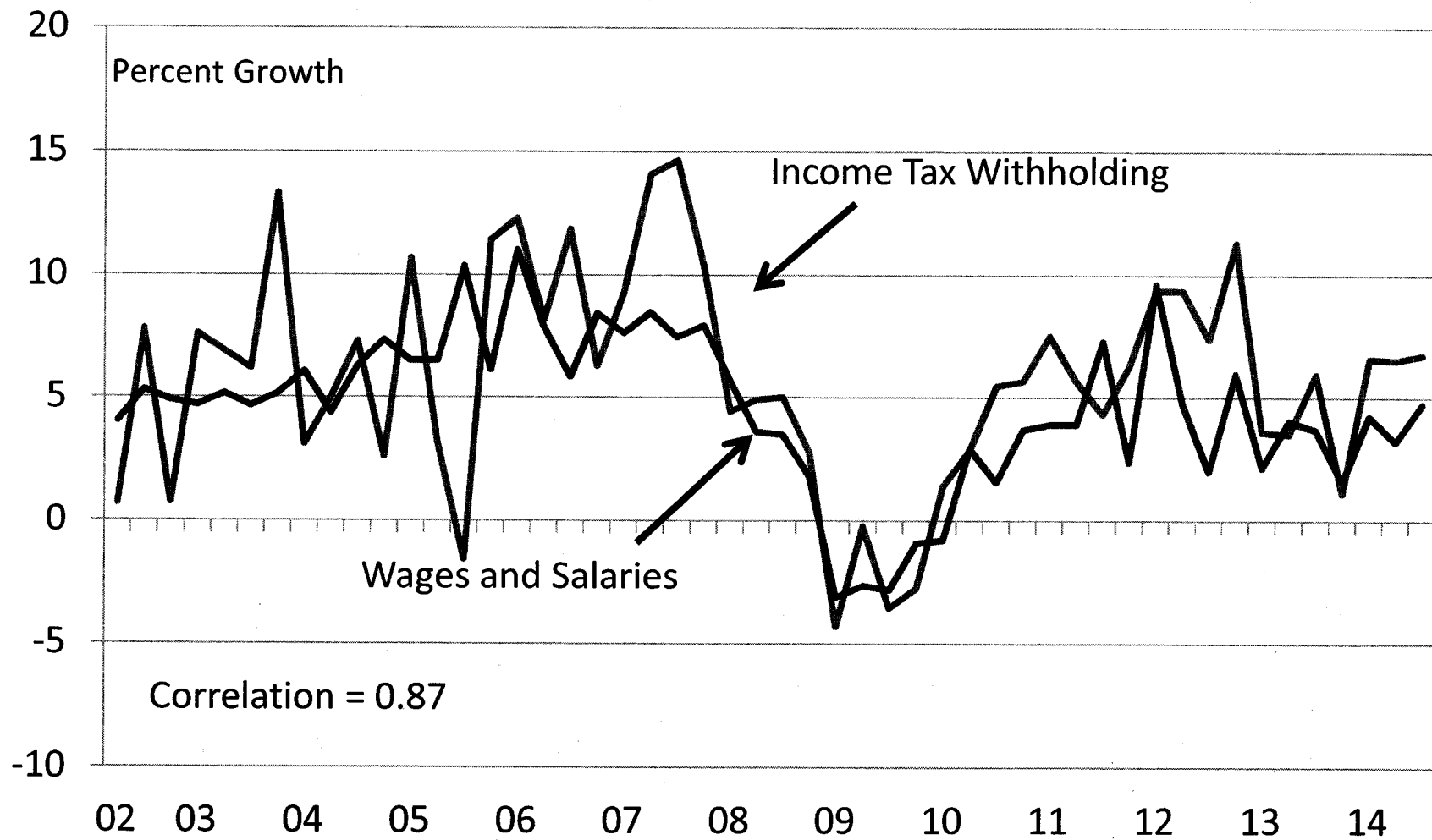
- BBER forecasts are inflation-adjusted, GF revenues are typically not
- BBER forecasts are different from IHS forecasts
- BBER forecasts based on calendar year, not fiscal year
- Non-farm earnings are different (larger) than wages and salaries

Nonfarm earnings more economically sensitive than wages and salaries

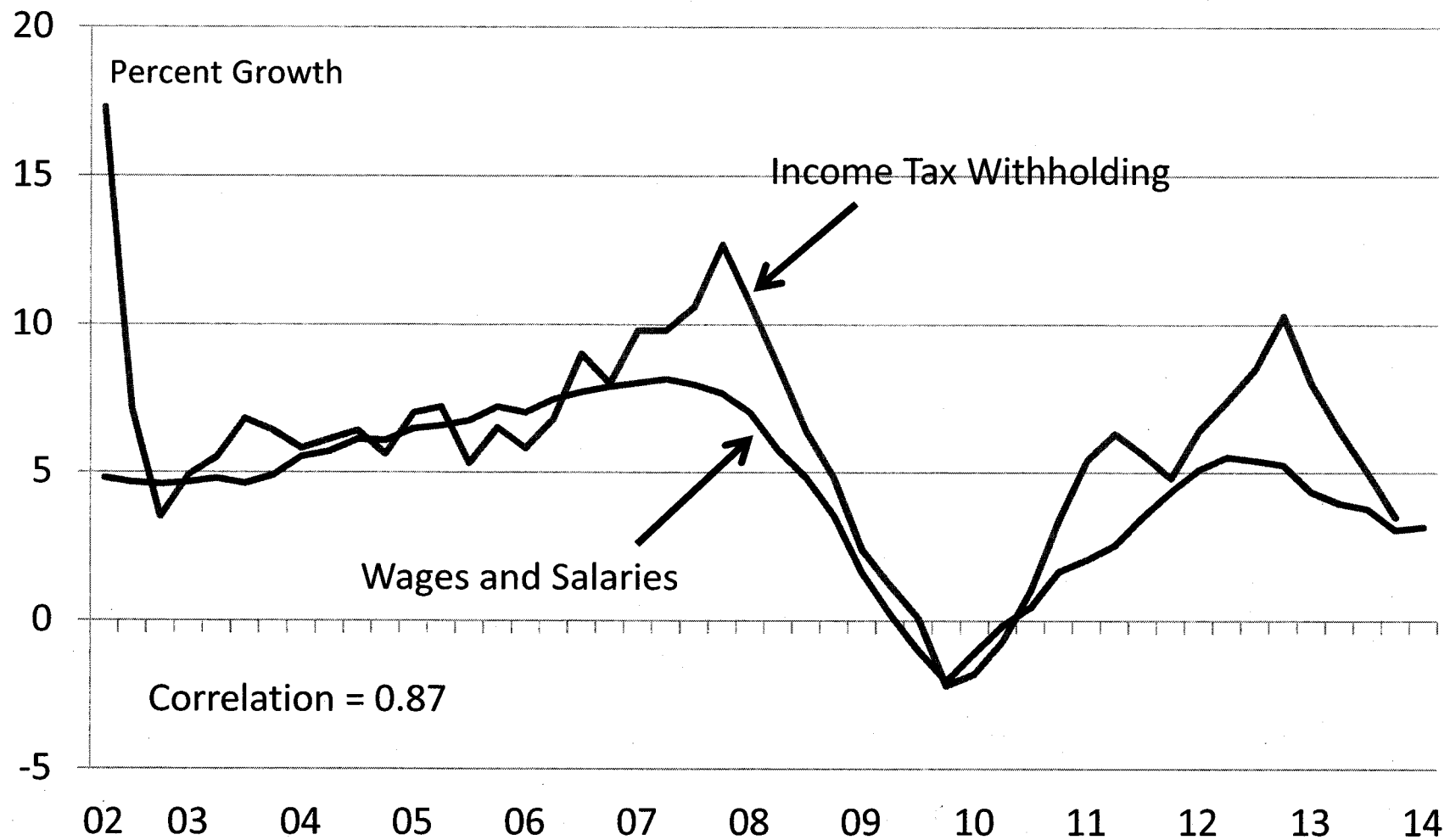


Percentage Change in 4-quarter Moving Average Compared to Previous Year

State withholding collections much more irregular than the economy as a whole



State withholding collections much more irregular than the economy as a whole



Percentage Change in 4-quarter Moving Average Compared to Previous Year

Questions?